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TAGS: [EFIN](#) [PTER](#) [IT](#) [IR](#)
SUBJECT: U/S LEVEY'S ROME MEETINGS, JUNE 21

REF: A. ROME 1876
[1](#)B. ROME 1817

Classified By: Acting Economic Minister-Counselor Kathleen Reddy, Reasons 1.4 b and d.

[1](#)1. This is an action request. Please see para 2.

Summary and Action Request

[1](#)2. (S/NF) U/S Levey, during his June 21 Rome visit, met with the Ministries of Foreign Affairs (MFA), Justice (MOJ), Finance (MOF), and Interior (MOI), and held a press conference. Discussions focused primarily on cutting off access by WMD proliferators to the formal banking system, Iran, the terrorist facilitators/leaders initiative, and Italy's three pending designations. Both MFA and MOF contacts, while generally very supportive of creating a mechanism to halt WMD proliferator financing, encouraged U/S Levey to work with the European Union (EU) (in particular EU Commissioner Frattini) to ensure the mechanism would have effective, EU-wide reach. They also suggested working with the banks possibly financing WMD, first through "moral suasion." On Iran, there was strong support to address challenges posed by Iran; however, Italy's large "financial exposure" was noted in the MOF meeting (ref A). On terrorism finance, the GOI again requested support for Italy's three pending UN 1267 designations. On the terrorist facilitators initiative, the MOI and MOF again expressed concern on the impact of designating Abu Imad and Nabil el-Feki. Action Request: Embassy requests additional information on Abu Imad and Nabil el-Feki to provide the GOI to encourage their support of these designations. End Summary and action request.

Ministry of Foreign Affairs Meeting

[1](#)3. (C) U/S Levey met with the MFA's Political Director Giulio Terzi to seek Italian support for creating financial mechanisms that block the sources of financing to known proliferators and to discuss Iran. Terzi was joined by Antonio Catalano, Assistant to the Political Director;

Claudio Spinedi, Assistant to the DG for Economic Cooperation; Bruno Campria, Office Director for the Gulf States; and Paolo Cuculi from the MFA's Disarmament and Non-proliferation Office. U/S Levey asked that Italy take a leadership role, much as it has in the fight against terrorism finance.

WMD Proliferators

¶4. (C) U/S Levey summarized his meetings in Paris the previous day and noted that some European (including Italian) financial counterparts had signaled their interest in the U.S. approach. Levey said that the USG wants to foster a political approach to guide the heavier focus on proliferators' sources of financing. UNSC Resolution 1540 creates an obligation to counter proliferation of weapons of mass destruction (WMD), said Levey, but does not address ways to target and neutralize proliferators' financial resources.

¶5. (C) Terzi underscored that Italy is solidly committed to countering WMD proliferation, and open to new ideas. The GOI has considered using financial tools domestically, but cited legislative and administrative obstacles, as well as the inherent difficulties of working within the EU's open capital market, which in theory permits capital to move unfettered. The root problem, according to Terzi, is that financing WMD proliferation is neither punishable under European law nor domestic law. Catalano noted that targeting physical proliferation items (i.e., merchandise, weapons, ships, etc.) is conceptually more concrete for many Europeans than dealing with money. Spinedi added that establishing a national legal authority to target financing would spark a national debate,

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draw in those with vested Iranian business interests on the wrong side of the debate, and highlight the impact that freezing assets would have on the Iranian and Italian economies (Comment: Spinedi seemed to imply that a national debate on this issue would be unwelcome at this time. End Comment.)

¶6. (C) Terzi noted that the only effective way to stop WMD financing is through EU-wide legislation requiring all member states to comply. He encouraged the USG to work with the EU Commission, particularly Commissioner for Justice, Freedom and Security (and former Italian FM) Franco Frattini. U/S Levey responded that the USG is open to pursuing instruments at the EU level, if they would effectively identify, isolate, and freeze proliferators' assets. However, he added, the U.S. hopes to count on strong Italian leadership at the EU to move this idea forward.

Iran

¶7. (S/NF) Levey said that in dealing with Iran, we must consider all options, inside and outside the UN context. Isolating Iran from European economic centers, by restricting financial transactions, and increasing the cost of doing business with Iran, could affect the regime. The goal is to create uncertainty and concern among the Iranian elite about the cost of maintaining Tehran's intransigence.

¶8. (C) Terzi noted that he would be meeting with visiting Iranian FM Mottaki later in the day, and planned to strongly urge Tehran to seize the opportunity, provided by the Solana incentives package, to change course. The GOI, Terzi said, is prepared to use its economic and bilateral ties with Iran to maintain pressure on the Iranian government. (Note: Italy is Iran's top trading partner in the EU. End note.) While the GOI prefers carrots over sticks, Terzi added, should Tehran continue its hard-line policies, financial measures could increase pressure on the regime. The GOI is prepared to support incremental UN Security Council actions, but each

should be thoroughly discussed within the G-7.

¶9. (S/NF) Spinedi added that if we pursue the sanctions route, the government in Tehran must feel a real economic impact. In the meantime, we should rely on moral suasion, and let market forces, responding to the slowdown in cooperative projects and higher risks of doing business in Iran, continue to make an impact. Terzi said that Italy's export credit agency (SACE) is reducing new business with Iran by not underwriting new projects. Iranians have taken note of the new climate in Italy, and have reportedly reduced their exposure in Italian banks by 90 percent.

Ministry of Finance Meeting

¶10. (C) U/S Levey met with Treasury Director General (DG), Vittorio Grilli; DG for International Economic Relations, Ignazio Angeloni; and Guiseppe Maresca, DG for Financial Crimes, to discuss WMD Proliferators, Iran, and UN 1267 designations.

WMD Proliferators/Iran

¶11. (S/NF) Acknowledging Italy's expertise and leadership tackling terrorism financing, U/S Levey requested Italian support to increase pressure on private sector entities doing business in Iran. D/G Grilli responded that the GOI is willing to pursue means of ending proliferation, and is willing to discuss options for putting pressure on Iran. However, he also noted that this is a policy issue, and that a systematic approach should be developed for dealing with WMD proliferators. Noting that several, global banks had already cut ties in Iran due to U.S. pressure, Grilli asked how to raise awareness, within Italy's banking and private

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sectors, of the risks of doing business in Iran. Grilli add that the small, non-global banks in Italy, such as savings banks, are not as exposed to the potential global impact of sanctions as larger banks may be. U/S Levey responded that if all global institutions pulled out of Iran, the smaller institutions would follow.

¶12. (S/NF) D/G Angeloni recommended that the United States approach the EU, as the EU capital market is integrated and in theory freely open to all capital movements. He also noted that Italy is "financially exposed" in Iran. Maresca pointed out the importance of developing technical standards, similar to the Financial Action Task Force (FATF), while avoiding the political nature of the Proliferator Security Initiative. Maresca said he believed UN Security Council Resolution 1540 provides a sufficient legal basis to begin technical discussions on tackling WMD proliferators financing.

Terrorist Facilitators/Leaders

¶13. (S/NF) Grilli brought up Abu Imad, the "Iman in Milan," by saying he is important to the MOI's Muslim outreach initiative, a moderate voice in the Islamic community, and "an important source of dialogue" to Italian authorities. Grilli said that, unless the USG provides additional information on why Abu Imad should be designated under UN 1267, the Italian government would find it "very difficult" to support the designation. When U/S Levey brought up points made by MOI Di Stefano (see para 15), Grilli added that while Abu Imad is obviously not an "angel," a "risk-benefit analysis" of the situation would require that the USG provide Italy more information on Abu Imad.

Italy's Three Designations

¶14. (C) Grill concluded the discussion by requesting USG support for Italy's three proposed designations. Levey said that the USG is studying the evidentiary information and hopes to reply soon on whether we can provide a letter of support by mid-July.

Ministry of Interior Meeting

¶15. (S/NF) U/S Levey met with Carlos Di Stefano, Director General of the Preventative Police, and his special assistant, Vincenzo Speciale. Di Stefano told U/S Levey that he believes the "situation is under control" in Italy, with numerous arrests and expulsions to deter terrorism. In regards to Abu Imad, Di Stefano said that two years ago, Abu Imad expressed concern about being deported, and asked that his collaborators take a more moderate stance with their activities. Di Stefano said that while Abu Imad is a "bad person," the Italians are keeping track of him, and that to designate Abu Imad at this time would negatively affect Italy's operational work. When U/S Levey explained that a 1267 designation would require freezing of all of Abu Imad's assets, not only in EU countries, Di Stefano seemed to re-consider, saying that Abu Imad's connections are in Egypt, and therefore a global asset freeze may be helpful. Di Stefano also understood the benefit of the travel ban component of a designation. He concluded by noting he would discuss the impact of designating Abu Imad with other law enforcement colleagues.

Ministry of Justice Meeting

¶16. (C) U/S Levey met with Augusta Iannini, Chief of the Judicial Affairs Department; Giovanni Armone, Office I Director; Gabriele Iuzzoline, Director of the Criminal Justice Division; and Silvia Santucci and Alberto Pioletti, both magistrates for the Criminal Justice Division. The discussion focused on Italy's terrorist financing

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legislation, legal requirements for seizing terrorist assets, and the operational aspects of implementing UN 1267 designations in Italy (i.e., since the Financial Security Committee's decisions are implemented through the MOI, the Bank of Italy, and the Ufficio Italiano dei Cambi, Italy's equivalent to Finance Intelligence Unit). Pioletti noted that both UN and EU designations assist Italy in making domestic designations.

COMMENT

¶17. The GOI appears open to considering a new international instrument to counter WMD financing. That said, our interlocutors noted the large Italian bank exposure to Iran (ref A) and that it might be better to have any international approach/new instrument begin with "moral suasion" on the banks involved. Both ministries also noted that because the EU was in fact an open market for capital flows, the USG should also consult with the European Commission. End Comment.

¶18. (U) This cable was not cleared by U/S Levey prior to his departure.
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